

VZCZCXRO9617
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #3035/01 3050138
ZNR UUUUU ZZH
P 310138Z OCT 08
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 8428
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 3061
RUEHFK/AMCONSUL FUKUOKA 0703
RUEHOK/AMCONSUL OSAKA KOBE 4486
RUEHNAG/AMCONSUL NAGOYA 8768
RUEHKSO/AMCONSUL SAPPORO 1277
RUEHBJ/AMEMBASSY BEIJING 6130
RUEHUL/AMEMBASSY SEOUL 2127
RUCNDT/USMISSION USUN NEW YORK 2352

UNCLAS SECTION 01 OF 09 TOKYO 003035

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 10/31/08

Index:

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule (Nikkei)

Political & economic agenda:

- 4) Prime Minister Aso announces 27-trillion-yen additional stimulus package, not to dissolve Diet for the time being (Nikkei)
- 5) Prime Minister Aso eyes raising consumption tax in 3 years, going to Washington for financial summit (Asahi)
- 6) Gist of Prime Minister Aso's press remarks (Asahi)
- 7) New Komeito party, LDP's coalition partner, unhappy with Prime Minister Aso's decision to forgo Diet dissolution (Yomiuri)
- 8) DPJ prepared for showdown with ruling bench in Diet (Yomiuri)

Defense & security issues:

- 9) -- Japan will not comply even if asked for additional spending on Guam relocation, Defense Minister Hamada says (Nikkei)
- 10) -- There will be no addition to Japan's agreed share of Guam relocation costs: Defense Minister Hamada (Akahata)
- 11) -- Upper house panel thrown into confusion over Afghan fact-finding report (Nikkei)

North Korea:

- 12) -- Pyongyang refuses to reinvestigate abductions (Sankei)
- 13) Tokyo urged to reset strategy toward North Korea (Sankei)

U.N. diplomacy:

- 14) Japan to apply today for continental shelf expansion (Yomiuri)

Articles:

1) TOP HEADLINES

All daily newspapers:

Prime Minister Aso willing to raise consumption tax in three years

2) EDITORIALS

Asahi:

(1) Prime Minister Aso should decide to dissolve Lower House for snap election in order to overcome financial crisis

Mainichi:

(1) Second additional stimulus package ultimate pork-barreling
(2) Aso cannot overcome political turmoil by delaying Lower House dissolution

Yomiuri:

(1) Aso faces uphill battle with choices he made

Nikkei:

(1) Ruling, opposition parties should quickly implement second economic-boosting package

Sankei:

(1) Concerted effort needed for market stabilization, legal endorsement for consumption tax hike

Tokyo Shimbun:

(1) Can second economic package provide the public peace of mind?

TOKYO 00003035 002 OF 009

(2) Dam construction projects should be reconsidered

Akahata:

(1) Second economic stimulus package cannot dispel public anxiety

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, October 30

NIKKEI (Page 2) (Full)

October 31, 2008

07:28

Took a walk around the private residence in Kamiyama-cho.

10:27

Met with Supreme Court Chief Justice Shimada at the Kantei.

10:41

Met with Liberal Democratic Party Deputy Secretary General Hayashi, joined by Deputy Chief Cabinet Secretary Matsumoto.

11:00

Met with LDP Youth Division Director Inoue and LDP Women's Affairs Division Director Yamatani. Then met with Tokyo High Court Chief Judge Takesaki.

12:58

Attended a memorial service for police officers who died on duty and those who died when cooperating for police at Grand Arc Hanzomon in Hayato-cho.

13:38

Arrived at the Kantei.

15:51

Attended a special meeting of LDP executives in the Diet

16:07

Attended a joint meeting at the Kantei of the government and the ruling camp, and the economic ministers' meeting to discuss the new economic stimulus package.

17:15

Met with LDP Secretary General Hosoda.

18:00

Met the press. Then met with Chief Cabinet Secretary Kawamura.

19:32

Met with Lower House Speaker Kono and former LDP Tax System Research Commission Chairman Aizawa at the Prince Park Tower Tokyo in Shiba Park. Then attended a wedding reception for the third son of Aizawa.

21:00

Met with Deputy Grand Master of Obara-School of Flower Arrangement
Masako Obara and Deputy Chief Cabinet Secretary Konoike.

23:13

Arrived at the private residence.

4) Aso unveils additional economic pump-priming measures worth up to 27 trillion yen: Also eyes sales tax hike in three years' time; No Lower House dissolution for time being; New Komeito agrees

NIKKEI (Top Play) (Excerpts)
October 31, 2008

The government on October 30 adopted a package of additional economic stimulus measures to deal with the financial crisis that started in the U.S. and the economic slowdown. The projected size, including an expanded loan framework, is the largest-ever 27 trillion yen. Real spending (mamizu) - the total amount of spending

TOKYO 00003035 003 OF 009

minus the amount that will not involve the spending of money from the state treasury - is approximately 5 trillion yen. So-called hidden funds (maizokin) drawn from the special fiscal investment and loans account will be used to finance the package to avoid issuing deficit-covering government bonds. Concerning drastic tax reform, Aso during a press conference held the same day revealed his plan to hike the consumption tax no sooner than three years from now.

The title of the package is "living cost countermeasures." Its scale significantly exceeds the 11.7 trillion yen for the comprehensive economic stimulus package the previous Fukuda cabinet adopted in late August to deal with the sharp rise in crude oil prices. It is on a par with the emergency economic stimulus package compiled in 1998 by the Obuchi administration (27 trillion yen including tax cuts). Aso's package includes assistance for family budgets designed to boost domestic demand, the stabilization of the financial market, and the revitalization of regional areas.

Aso also mentioned that the stimulus plan should be compatible with recapitalization of the nation's fiscal base by avoiding deficit-covering government bonds. However, of 5 trillion yen in fiscal disbursements, approximately 700 billion yen will be financed with the issuance of construction bonds. A mid-term program intended to secure fiscal resources to finance ever-increasing social security expenses will be compiled before year's end. Drastic tax system reform, including raising the consumption tax, will be implemented in stages by the mid-2010s. The prime minister during the press conference categorically said, "I would like to hike the consumption tax three years after the completion of drastic administrative reform."

The prime minister yesterday evening met with New Komeito leader Akihiro Ota at the Kantei and told him his policy of doing his best to implement economic stimulus measures and not dissolving the Lower House for a snap election. Emerging from the meeting, Ota told reporters, "If you ask me whether I agreed, I would say yes. There will be no dissolution of the Diet on the 30th or the 31st." The prime minister said during a press conference yesterday, "Priority should be given not to the political agenda but to policies. I must first address the anxieties felt by the public, by realizing my policy proposals."

5) Aso eyes consumption tax hike in three years, indicates no Lower House dissolution soon

ASAHI (Top Play) (Excerpts)
October 31, 2008

In a press conference at the Prime Minister's Office yesterday, Prime Minister Aso announced a new economic stimulus package worth 26.9 trillion yen, including 5 trillion yen in government fiscal spending. He also indicated a plan to raise the consumption tax in three years' time. On the dissolution of the House of Representatives, he said he would put it back for a while.

The prime minister said in the press conference: "The world has been

going through a U.S.-triggered financial storm that can be even called a once-in-a-century financial disaster. The storm will certainly hit the Japanese economy." Aso plans to submit a second extra budget bill to finance the stimulus measures to the current Diet session, but he just said: "I have yet to decide on when (to submit the bill)."

TOKYO 00003035 004 OF 009

Asked when he would dissolve the Lower House, Aso replied: "I will make a decision at the appropriate time." He added: "The top priority is to respond to people's concerns about their livelihoods by implementing policies," indicating he would forgo the ruling camp's original plan of calling a general election in November.

On the global financial crisis, Aso said he would propose in an emergency summit to be held in Washington on Nov. 15 the following three points as agenda items: (1) International coordination in supervising and regulating financial institutions; (2) regulations on rating agencies; and (3) accounting standards.

6) Main points in prime minister's press conference

ASAHI (Page 4) (Full)
October 31, 2008

(Economic conditions)

The world has been going through a U.S.-triggered financial rainstorm that can be called a once-in-a-century financial disaster. The storm will certainly hit the Japanese economy. I believe top priority should be given to easing people's concerns about their livelihoods. It is important to ensure the safety of people's livelihoods.

(New economic package)

The new economic stimulus package includes all possible drastic measures. The key point is speed. The government narrowed targets so that money will not be spread around. Deficit-covering bonds will not be issued. Under the cash-benefit system, benefits will be delivered to all households within this fiscal year, unlike the tax-cut formula. The benefit system is more effective in that cash benefits will be distributed even to households who have paid no tax or a small amount of tax. Details (on state subsidies to local government from road-specific tax revenues) have yet to be determined. The basic policy is to divert 1 trillion yen to municipalities. (Whether to submit a supplementary budget bill to the current Diet session) will be considered in managing Diet affairs. The government has not yet decided on whether to submit the bill to the current extraordinary Diet session.

(Consumption tax hike)

The government would like to raise the consumption tax after carrying out sweeping administrative reform and upon carefully watching economic conditions. I am aiming to create a nation in which people can receive middle-level benefits by shouldering a moderate burden. It is impossible to continue to provide middle-level benefits by bearing a light burden. Everyone hates tax hikes, but we must stop leaving huge debts to our children. Raising the tax is unavoidable.

(Financial crisis)

In the emergency summit scheduled for Nov. 15, I would like to discuss how to construct an international cooperation system to supervise and regulate moves by financial institutions. There are problems in rating securitized policies, and these problems aggravated the global financial turmoil. It is necessary to discuss

TOKYO 00003035 005 OF 009

what regulations should be imposed on rating companies. It is also important to discuss whether mark-to-market accounting is

appropriate and to what extent the basis of market prices should be adopted. I would like to discuss these issues and see international agreement reached.

(Lower House dissolution)

I will make a judgment at the appropriate time. I will make a decision while taking various elements into account. I think we fully exchanged views with New Komeito members. Our relations with the New Komeito remain solid. A majority of the public are calling for policy measures, particularly economic stimulus measures, rather than a political showdown.

Many other countries must think it is extremely undesirable that the top economic power, the U.S., and the second largest power, Japan, have been in confusion over elections and other issues. But it does not mean that if an election is carried out, governance will not be undermined. The government exists. I do not think that a political vacuum will be immediately created.

7) Dissatisfaction with Aso simmering in New Komeito

YOMIURI (Page 4) (Full)
October 31, 2008

Although the New Komeito, the coalition partner of the ruling Liberal Democratic Party (LDP), accepted Prime Minister Taro Aso's decision to push back a dissolution of the House of Representatives, dissatisfaction with Aso is simmering in the party. Therefore, Aso's decision will likely have an impact on the management of Diet affairs and election cooperation between the two parties.

At the outset of their meeting last evening, Prime Minister Aso and New Komeito leader Akihiro Ota shook hands with smiles. Aso said to Ota: "I got great cooperation from the New Komeito" in compiling economic stimulus measures. After the meeting, Ota stressed that they had not talked about a Lower House dissolution.

However, in their meetings on Oct. 26-28, the two failed to reach a conclusion on the dissolution issue, as Ota called for an early dissolution, while Aso insisted that priority should be placed on economic measures.

Therefore, it is difficult to say that the gap between the two has been filled.

Ota yesterday commented on the postponement of a Lower House dissolution: "Since I say we accepted, that means we approved." Asked by reporters about the impact on the relationship between the LDP and New Komeito, Secretary General Kazuo Kitagawa said yesterday:

"Although we have different views on the timing of a lower chamber dissolution, we will not give up the coalition. The relationship of trust with the prime minister remains unchanged."

However, one New Komeito official said: "I think the prime minister doesn't understand that supporters are preparing for the election, even though they are having difficulties in their livelihoods." Some New Komeito members are gradually moving away from Aso.

TOKYO 00003035 006 OF 009

Some in the New Komeito contended that although the prime minister insisted on the passage of a second supplementary budget for fiscal 2008, if the Democratic Party of Japan resists it, he should dissolve the Lower House.

8) DPJ to shift to confrontational stance against ruling coalition

YOMIURI (Page 4) (Excerpts)
October 31, 2008

With the postponement of a dissolution of the House of Representatives, the Democratic Party of Japan (DPJ), the largest opposition party, plans to shift to a stance of confronting the

government and ruling parties in the Diet. The DPJ will call on the government for an early submission of a second supplementary budget for fiscal 2008. It has depicted a strategy of forcing an early Lower House dissolution during Diet debate.

When asked by reporters about the second economic stimulus package Prime Minister Taro Aso unveiled yesterday, DPJ Secretary General Yukio Hatoyama last night strongly criticized it, saying:

"It is the ultimate pork-barrel largesse and election measure. Even if the government carries out such an economic package, the public will not loosen their purse strings if it plans to raise the consumption tax in three years. The package will not bring about positive economic effects."

Asked about deliberations on the second extra budget, Hatoyama simply said: "We haven't heard anything about revenue sources. So, even if we are asked for cooperation, it will be difficult for us to do so."

The DPJ approved the first supplementary budget for fiscal 2008 and cooperated on the passage of a bill amending the new Antiterrorism Special Measures Law with an early Lower House dissolution in mind. However, since its hopes were dashed, the DPJ has now decided to shift its strategy. In deliberations on the new antiterrorism bill, the DPJ is demanding the presentation of documents on a fact-finding survey the government conducted in Afghanistan in June, while brandishing the threat of invoking the right of the Diet under the Constitution to investigate state affairs. The party also is pressing the ruling coalition to accept its demand without studying it in deliberations on a bill revising the Financial Functions Strengthening Law.

However, the DPJ intends not to prolong deliberations for a long time for fear that there could be a public backlash if it delays debate amid the business slump.

9) Japan not to comply with request for additional spending on Guam relocation: Hamada

NIKKEI (Page 2) (Full)
October 31, 2008

Defense Minister Yasukazu Hamada attended a House of Councillors Foreign Affairs and Defense Committee meeting yesterday, in which he indicated that Japan would not comply even if there is a request from the United States for additional spending on the relocation of U.S. Marines from Okinawa to Guam. "I will not change it," Hamada

TOKYO 00003035 007 OF 009

stated before the committee. The Japanese government has agreed with the U.S. government to pay 6.09 trillion dollars as a ceiling in its burden sharing of the costs for the Marines' Guam relocation.

10) Defense Minister Hamada says Japan will not change amount agreed with U.S. on Guam relocation

AKAHATA (Page 2) (Full)
October 31, 2008

The cost of constructing a new U.S. Marine Corps base in Guam based on a plan to realign U.S. forces in Japan is likely to grow 1.5 times the amount agreed upon between Japan and the United States. Touching on Japan's share regarding this matter, Defense Minister Yasukazu Hamada said yesterday: "We have no intention to change our (assertion)." He was replying to a question from Satoshi Inoue of the Japanese Communist Party in an Upper House Foreign and Defense Affairs Committee meeting.

The U.S. Government Accountability Office (GAO) unveiled in September the Marine Corps' estimate that the cost of the new Guam base would swell from the 10.2 billion dollars (approximately 1 trillion yen) -- the amount agreed upon between Japan and the United States -- to 15 billion dollars (1.5 trillion yen).

Tokyo and Washington agreed (in 2005) that of it, Japan would bear

6.1 billion dollars (600 billion yen). The government has explained this amount as "(Japan's) upper limit."

Inoue said that there is no need (for Japan) to bear the cost, while indicating that there has been no international case in which a country injected taxpayers' money into a project to construct a base outside the country for foreign forces. He also said: "There is no room for talks (with the United States) or consideration on the amount exceeding the upper limit."

11) Upper House committee meeting thrown into confusion over data on report by fact-finding team to Afghanistan

NIKKEI (Page 2) (Full)
October 31, 2008

A meeting yesterday of the House of Councillors' Foreign Affairs and Defense Committee was thrown into confusion over the contents of a report submitted by a team dispatched in June to see the feasibility of dispatching Self-Defense Forces (SDF) troops to Afghanistan. In response to a request by the Democratic Party of Japan (DPJ), the government submitted data regarding the report at a committee directors' meeting yesterday morning. The data listed the investigated matters, including the present state of routes used to transport necessary materials for troops from various countries. But the report included no details, noting that Japan's relationship of trust with countries concerned will be seriously damaged.

In a question-and-answer session, DPJ member Yukihiisa Fujita complained: "This is not a report but just a table of contents." Chief Cabinet Secretary Takeo Kawamura repeatedly said: "The team members met officials there on the condition that details should not be publicized. We had better not unveil specific contents." Following this, the meeting was suspended temporarily.

Committee Chairman Toshimi Kitazawa (DPJ) claimed: "As long as you

TOKYO 00003035 008 OF 009

treat us like children by saying everything is under wraps, we cannot hold deliberations." Fujita also argued: "I would like to ask the government to resubmit the data by invoking our right to investigate state affairs." The matter will be discussed between the ruling and opposition camps.

The committee has decided to summon key figures as unsworn witnesses before the Diet on Nov. 5. A vote on a bill to extend the Maritime Self-Defense Force's refueling mission in the Indian Ocean has also been deterred to the 6th or later.

12) Failed reinvestigation pledge forces Japan to revamp North Korea strategy

SANKEI (Page 5) (Abridged slightly)
October 31, 2008

Now that North Korea's pledged reinvestigation into the fate of the Japanese abductees is effectively back at square one, the government finds it necessary to reformulate its strategy toward North Korea. Following the U.S. delisting of North Korea as a state sponsor of terrorism, Pyongyang has made it clear that it will ignore Japan. With no prospects in sight, the Aso administration is apparently struggling to deal with North Korea.

In the government's abduction issue taskforce meeting held on Oct. 29, Deputy Chief Cabinet Secretary Iwao Uruma indicated that the government would consider additional sanctions on North Korea while examining the effectiveness of the past sanctions. He said: "The bottom line is whether or not we can apply pressure to North Korea to drive it into a tight corner. We need to come up with innovative ideas."

Prime Minister Taro Aso said to the press corps yesterday: "Dialogue and pressure are the basics in negotiating with North Korea, and how to strike a balance between the two is always a challenge. The topic (of the reinvestigation) has not moved forward since (the Japan-DPRK working-level talks) in August. We are going to consider the matter

while monitoring it."

At the Oct. 29 meeting, Uruma also noted: "In order to get the Japanese government's message across, we will not be able to make North Korea take action unless we develop a channel to a special organ directly connected with the North Korean party and military."

The Prime Minister's Office's statement that can be taken to mean a review of the North Korea strategy is partially attributable to the fact that the United States has removed the North from its terrorist blacklist and set the stage for energy aid. A Japan-DPRK relations source predicted: "Now that North Korea can obtain sufficient energy aid without Japan, Pyongyang will accelerate moves to ignore Tokyo."

13) North Korea rejects the pledged abduction reinvestigation, telling China that it is "merit-less"

SANKEI (Page 1) (Excerpts)
October 31, 2008

North Korea has informed China that it would not implement the pledged reinvestigation of the fate of the Japanese abductees as "merit-less," Japan-DPRK relations sources said yesterday. North

TOKYO 00003035 009 OF 009

Korea's policy has been conveyed to Japan via China, according to the sources. The government has begun taking actions to review its sanctions on North Korea to apply effective pressure to the North. The Foreign Ministry also plans to aim at new channels, reversing its approach to the North that has been solely dependent on diplomatic channels.

According to what was revealed by Japan-DPRK sources as an account by a person connected with the Chinese embassy in Tokyo, when a high-ranking Chinese official exchanged views with a senior North Korean official in September, after Prime Minister Yasuo Fukuda announced his decision to step down, the former asked the latter if North Korea had an intention to begin the pledged reinvestigation of the fate of the Japanese abductees. In response, the senior North Korean official was quoted as saying: "Even if an investigation committee was set up, the Japanese people would not be convinced with any kind of results. The reinvestigation would not bring any merits (to North Korea)."

14) Government today to decide to apply to UN for extended continental shelf

YOMIURI (Page 2) (Full)
October 31, 2008

The government will hold a meeting of the Comprehensive Ocean Policy Headquarters (chaired by Prime Minister Aso) on October 31. It is expected to decide to shortly apply for UN recognition of the seabed near Japan, which greatly exceeds the nations in terms of land area (approximately 380,000 square kilometers), as belonging to Japan. The area includes the seabed stretching to the east of Minamitorishima (Marcus Island), the easternmost island of Japan, and the seabed stretching to the south of the Okinotorishima, the southernmost island of Japan.

It has been confirmed that there are in the said area submarine hydrothermal mineral deposits, which contain rich mineral resources, such as copper and rare metals, and methane hydrate, which is drawing attention as an alternative energy source. If the application is granted, the seabed where Japan can develop natural resources would increase drastically.

Japan will make the application based on the UN Convention on the Law of the Sea, which it ratified in 1996. The Convention acknowledges coastal countries' right to develop the continental shelves and the undergrounds surrounding their countries, defining the 200 nautical mile seabed from the coast of coastal countries as the continental shelf belonging to them. The Convention also stipulates that if coastal countries scientifically prove that continental shelves further the 200 nautical mile zone are

contiguous and the UN Continental Shelf Limits Committee recognizes it, the extended continental shelf can be recognized.

SCHIEFFER